

## Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 IOE-00 OIC-02 AF-10 ARA-06

EA-07 NEA-10 SP-02 L-03 H-01 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01

OMB-01 /108 W

-----121438Z 055462 /44

P 121034Z MAY 77

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 1715

USMISSION UN NEW YORK

LIMITED OFFICIAL USE VIENNA 3848 SECTION 1 OF 2 SECTIONS

E.O. 11652: N/A

TAGS: OCON, UNIDO, EIND

SUBJECT: ELEVENTH SESSION, UNIDO INDUSTRIAL DEVELOPMENT BOARD  
(IDB-XI) - AGENDA ITEM 8(G), REDEPLOYMENT OF INDUSTRIES

1. MISSION HAS RECEIVED COPY OF DOCUMENT ID/B/190, NOTE ON  
REDEPLOYMENT OF INDUSTRY FROM DEVELOPED TO DEVELOPING COUNTRIES.  
MISSION ANALYSIS AND COMMENT FOLLOWS.

2. DOCUMENT REFERS TO G.A. RES. 31-163, WHICH REQUESTED THAT  
UNIDO SECRETARIAT REPORT ON A REGULAR BASIS TO THE IDB ON ITS  
ACTIVITIES IN SUPPORT OF REDEPLOYMENT AND UNDERTAKE STUDIES  
LEADING TO RECOMMENDATIONS FOR GOVERNMENT POLICIES AND IDENTI-  
FICATION OF SPECIFIC INDUSTRIES AND SECTORS AMENABLE TO ACCEL-  
ERATED REDEPLOYMENT. THE SECRETARIAT DID INITIATE A PRELIM-  
INARY STUDY IN 1976 TO PROBE THE POTENTIAL FOR REDEPLOYMENT  
IN EIGHT INDUSTRIALIZED MARKET ECONOMY COUNTRIES. (STUDY  
IN U.S. WAS UNDERTAKEN BY PARIS REIDHEAD.) THE PRESENT NOTE  
REPORTS BRIEFLY ON THIS STUDY AND PROPOSES FURTHER STEPS

3. THE NOTE OBSERVES THAT THE 1976 STUDY, INVOLVING  
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CONTACTS WITH SOME 8,000 PRIVATE COMPANIES, REVEALED A  
BROAD AND VARIED INTERPRETATION AMONG THOSE CONTACTED OF  
THE CONCEPT OF REDEPLOYMENT; THE NOTE IDENTIFIES SEVEN  
MAIN INTERPRETATIONS, INCLUDING, INTER-ALIA, ESTABLISH-  
MENT OF SUBSIDIARIES, SALES OF TECHNOLOGY AND EQUIPMENT.  
TRANSFER OF EXISTING PLANT, AND CAPITAL INVESTMENT. THE  
SECRETARIAT CONCLUDES THAT THIS SPECTRUM OF INTERPRETA-

TION REQUIRES REFINEMENT OF THE CONCEPT OF REDEPLOYMENT. WHICH WAS UNDEFINED IN THE LIMA DECLARATION AND GENERAL ASSEMBLY RESOLUTION. TO THIS END, SECRETARIAT OFFERS FOR DISCUSSION A STATEMENT OF SIX ELEMENTS OF CONCEPT OF REDEPLOYMENT, INCLUDING (A) CLOSE LINKAGE TO LIMA 25 PERCENT TARGET; (B) ADOPTION OF REDEPLOYMENT STRATEGY AS INTRINSIC ELEMENT OF EVOLUTIONARY INDUSTRIAL RESTRUCTURING IN DC; (C) ADOPTION OF NON-COERCIVE DC GOVERNMENT POLICIES TO PHASE OUT CERTAIN INDUSTRIES AND LIMIT GROWTH OF OTHERS IN FAVOR OF LDC'S; (D) OFFERING OF INCENTIVES FOR REDEPLOYMENT BY DC GOVERNMENTS; (E) TRANSFER OF USED EQUIPMENT; (F) BROADENING OF CONCEPT BEYOND THAT OF TRANSFER OF EXISTING PLANT TO INCLUDE NEW INVESTMENT TECHNOLOGY EQUIPMENT, CAPITAL AND OTHER FACTORS.

4. METHODOLOGY AND CONCLUSIONS OF STUDY: NOTE OBSERVES THAT BASIC OBJECTIVE OF STUDY WAS TO STIMULATE DIRECT CONTACT WITH PRIVATE COMPANIES "AS AUTONOMOUS BODIES" TO DETERMINE ATTITUDES TOWARD REDEPLOYMENT, SOME COMPANIES WERE APPROACHED THROUGH QUESTIONNAIRES, OTHERS (PARTICULARLY IN U.S.) DIRECTLY BY CONSULTANT. CONTACTS RESULTED IN 240 "SPECIFIC OFFERS TO TRANSFER RESOURCES" WHICH ARE BEING ANALYZED. CONCLUSION IS THAT "DEFINITE REDEPLOYMENT POTENTIAL EXISTS" IN MARKET ECONOMY DC'S. STUDY CONCLUDES THAT DC ENTREPRENEURS HAD FOLLOWING MOTIVATIONS IN OFFERING TRANSFER RESOURCES: (A) OBTAINING ACCESS TO LDC MARKETS; (B) LOW PRODUCTION COSTS; (C) OBTAINING FOREIGN BASE TO

SUPPLY EXPORT MARKETS BOTH IN DC'S AND LDC'S. STUDY NOTES LIMITED OFFICIAL USE

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THAT FEW ENTREPRENEURS WISHED REDEPLOY PRODUCTIVE CAPACITY TO SUPPLY DOMESTIC MARKETS IN HOME COUNTRY. MAJOR OBSTACLES TO REDEPLOYMENT WERE SEEN AS INCLUDING (A) FINANCING PROBLEMS; (B) LDC IMPORT RESTRICTIONS; (C) LACK OF SKILLED WORKERS; (D) POOR LDC INVESTMENT CLIMATE. THE STUDY NOTED THAT FURTHER RESTRAINTS FROM THE DC SIDE INCLUDED GOVERNMENT CONTROL OVER RESOURCE TRANSFERS AND PROVISION OF SUBSIDIES AND PROTECTIVE TRADE BARRIERS TO AILING INDUSTRIES. STUDY'S GENERAL CONCLUSION IS THAT ESTABLISHMENT OF DIRECT CONTACT BETWEEN INDUSTRIES IN DC'S AND LDC'S PROMISES SIGNIFICANT STIMULATION OF REDEPLOYMENT PROCESS.

5. FUTURE ACTION; BASES ON CONCLUSIONS OF PRELIMINARY STUDY, NOTE PROPOSED FOLLOWING FUTURE STEPS (A) EXPANSION AND CONTINUATION OF STUDY TO IDENTIFY STRUCTURAL CHANGES OCCURRING IN DC ECONOMIES AND IDENTIFY SPECIFIC INDUSTRIES SECTORS AMENABLE TO REDEPLOYMENT; (B) IDENTIFICATION OF RECIPIENT SECTORS IN LDC'S; (C) DEVELOPMENT OF MODELS FOR ESTABLISHMENT OF REGULAR CONTACTS BETWEEN DC'S AND LDC'S

TO FACILITATE TRANSFER OF RESOURCES; (D) ESTABLISHMENT OF  
A MONITORING SYSTEM TO GAUGE PROGRESS ACHIEVED.

6. IN GENERAL, MISSION BELIEVES THAT DOCUMENT ID/B/190  
OFFERS USEFUL AND GENERALLY OBJECTIVE APPROACH TO FURTHER  
DISCUSSION AND SEARCH FOR COMMON GROUND ON ISSUE OF RE-  
DEPLOYMENT. IN THIS CONTEXT, U.S. DEL MAY WISH COMMENT  
ALONG FOLLOWING LINES: STUDY USEFUL IN DEMONSTRATING THE  
BROAD AND VARIED INTERPRETATIONS GIVEN TO CONCEPT OF RE-  
DEPLOYMENT. RATHER THAN ATTEMPTING TO "REFINE THE CON-  
CEPT", IF THIS IS INTENDED BY SECRETARIAT TO CONVEY A  
NARROWING OF FOCUS, CONCEPT SHOULD BE BROADENED TO INCLUDE  
ALL TRANSFERS OF PRODUCTIVE CAPACITY FROM DC'S TO LDC'S,  
WHETHER IN FORM OF EQUIPMENT, CAPITAL INVESTMENT, ADVICE OR  
OTHER FORMS OF PARTICIPATION. WE NOTE THAT STUDY COMES  
DOWN HARD ON NEED FOR DC GOVERNMENTS TO OFFER APPROPRIATE,  
NON-COERCIVE INCENTIVES TO REDEPLOYMENT; AT SAME TIME,  
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STUDY NOTES THAT PROTECTION OF AILING DC INDUSTRIES IS  
MAJOR OBSTACLE TO REDEPLOYMENT; U.S. DEL MIGHT NOTE THAT  
DC GOVERNMENT POLICIES THAT AVOID, TO EXTENT POSSIBLE, PRO-  
VISION OF SUCH PROTECTION SHOULD NOT BE IGNORED IN THEIR  
CONTRIBUTION TO RESOURCE TRANSFERS AND, IN FACT, REPRESENT  
VERY SUBSTANTIAL INCENTIVE. WITH REFERENCE TO PROPOSED

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 IOE-00 OIC-02 AF-10 ARA-06  
EA-07 NEA-10 SP-02 L-03 H-01 AID-05 CIAE-00  
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P 121034Z MAY 77

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 1716

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LIMITED OFFICIAL USE SECTION 2 OF 2 VIENNA 3848

E.O. 11652: N/A

TAGS: OCON, UNIDO, EIND

SUBJECT: ELEVENTH SESSION, UNIDO INDUSTRIAL DEVELOPMENT BOARD  
(IDV-XI)- AGENDA TIEM 8(G), REDEPLOYMENT OF INDUSTRIES

FUTURE ACTIONS, MISSION SOMEWHAT SURPRISED THAT NO CON-  
CRETE ACTION IS PROPOSED TO PURSUE CONTACTS MADE DURING  
COURSE OF PRELIMINARY STUDY BY CONSULTANTS, E.G., FOLLOW-  
UP BY UNIDO'S INVESTMENT COOPERATIVE PROGRAM OFFICE (JOINT  
UNIDO/IBRD UNIT) TO EXAMINE FEASIBILITY OF PROJECTS IDEN-  
TIFIED IN COURSE OF CONTACTS WITH DC ENTREPRENEURS. WE  
GENERALLY AGREE WITH UTILITY OF BROADENING STUDY AND ES-  
TABLISHING MONITORING SYSTEM AS SET OUT IN PARA 5 ABOVE.  
HOWEVER, OBJECTIVE OF THE SUGGESTED BROADENED STUDY TO  
"IDENTIFY RECENT CHANGES AND FUTURE TRENDS IN INDUSTRIAL  
STRUCTURE" WOULD APPEAR TO BE PROPERLY A SUBJECT TO BE  
DEALT WITH IN THE GLOBAL SECTORAL STUDIES PREPARED FOR  
THE FORMAL CONSULTATIONS. WE ARE NOT CLEAR AS TO PROPOSED  
CONTENT OF "MODEL FOR REGULAR CONTACTS"; THIS SEEMS TO  
US TO INCLUDE ELEMENTS BOTH OF THE SYSTEM OF SECTORAL CN-  
SULTATIONS AND THE REGULAR PROGRAM OF ACTIVITIES OF THE  
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INVESTMENT COOPERATIVE SECTION. U.S. DEL MAY WISH REQUEST  
SECRETARIAT FURTHER TO EXPLAIN THE ELEMENTS OF THE PROPOSED  
MODEL AND HOW IT WOULD DIFFER FROM THE SIMILAR ACTIVITIES  
REFERRED TO ABOVE. U.S. DEL MIGHT WISH TO OBSERVE THAT,

SO FAR AS CONCERNS THE U.S., A SYSTEM OF SUCH REGULAR  
CONTACTS, INVOLVING INDIVIDUAL INDUSTRIES RATHER THAN  
GOVERNMENT, SEEMS TO US TO BE DESIRABLE OUTCOME OF FORMAL  
SYSTEM, OF GLOBAL SECTORAL CONSULTATIONS, SINCE THE FINAL  
DECISION TO RELOCATE OR JOIN IN ESTABLISHING OR EXPAND-  
ING AN INDUSTRIAL ENTERPRISE IN A DEVELOPING COUNTRY WILL  
BE MADE BY THE OWNER/MANAGER OF ENTERPRISE IN THE U.S.  
(NOTE: REIDHEAD MAKES THIS POINT STRONGLY IN HIS AS YET  
CONFIDENTIAL REPORT TO UNIDO.) STIBRAVY

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## Message Attributes

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**TAGS:** OCON, EIND, UNIDO  
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**Type:** TE  
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